INSTALLATION BUSINESS PLAN and Business Reform Update

EAST COAST BUSINESS REFORM CONFERENCE
22 JUNE 2000
Briefer: Colonel D. R. Clifton

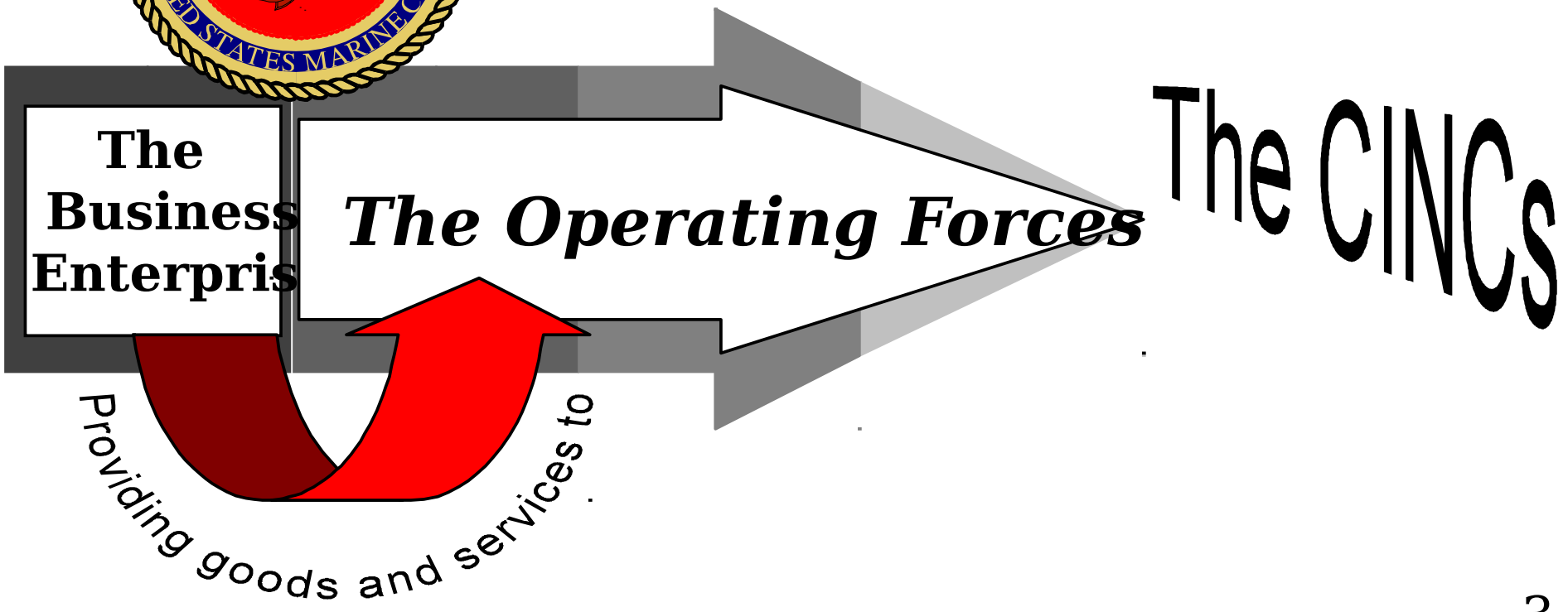
Purpose of Briefing

- **Provide**
  - Update on Installation Reform
  - Overview of Revised Business Plan
  - Overview BRS summary data
  - Overview of A-76 briefing to OSD

USMC Business Enterprise Model

Components of Business Enterp

- **Acquisition**
- **Logistic Support**
- **Installations**



Business Enterprise Vision

Marine Corps installations, the 5th element of the MAGTF, are world leaders in the management, use, and accountability of resources.

Installation commanders consistently meet the demands of their mission to deliver high quality goods and services to the operating forces, individual Marines, and family members through a vigorous and systematic application of the Marine Corps leadership principles and best business practices.

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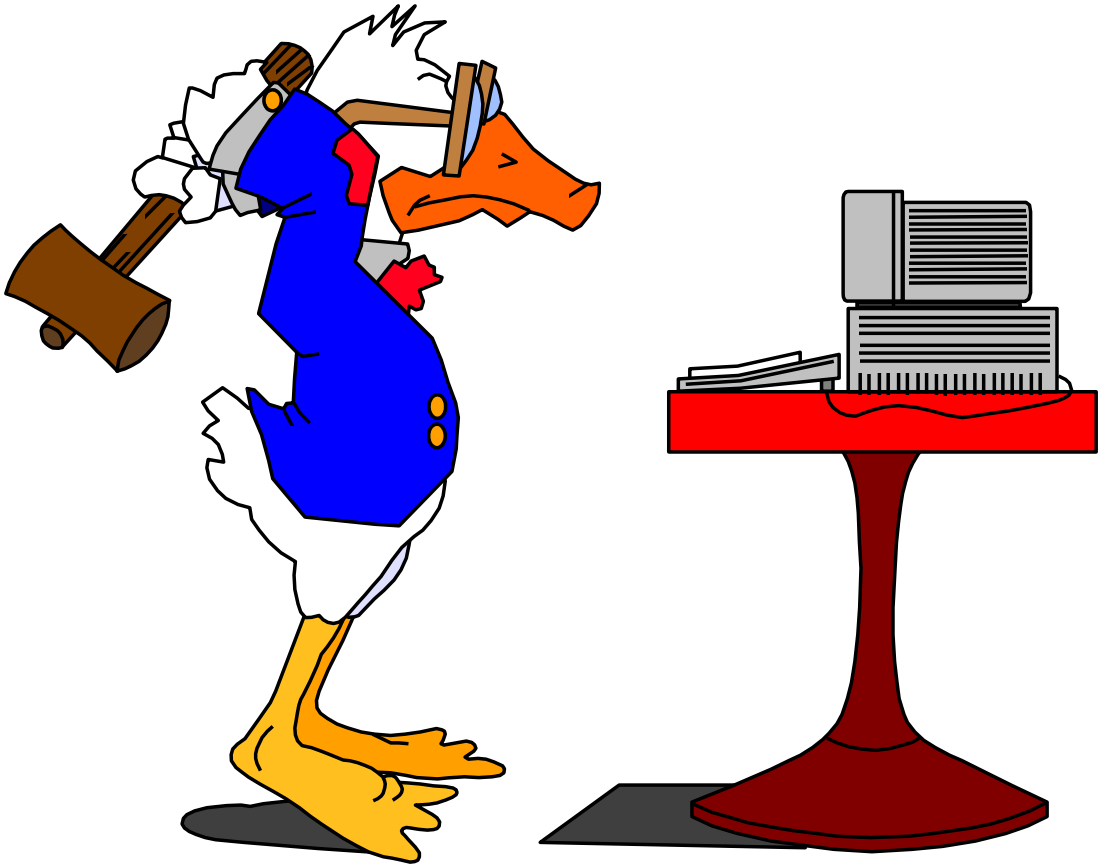
Things will change!



Why Are We Creating this Change?

- **Leadership needs better information about**
  - Performance and cost
  - Value of activities being performed
  - Processes that cross functional stovepipes
- **To improve**
  - Performance and reduce costs
  - Decision-making
- **To respond to**
  - Uncertain future budgets
    - aging equipment, increased QOL, modernization
    - undiminished OPTEMPO
  - Installation commanders/staff request for assistance
  - Guidance from above
- **It's the right thing to do**

SecNav's Revolution In Busines Affairs

1993 GPRA

Defense Reform Initiatives

OSD mandate to Implement ABC/M

Installation Reform Update

Base Commanders:
Achieved Expected Outcomes

- ✓ Initiated competition of (A-76) commercial activities
  - 4,386 billets announced to Congress/competed
  - 80 CDC billets competed and 159 MCABW billets outsourced
  - 594 direct conversions (food service)
- ✓ Realigning Resources
  - $9M realigned to modernization in FY00 ($15M saved)
  - 1,987 Marines identified for realignment to operating forces
    - 599 FAPS, 594 cooks, 794 A-76
- ✓ Implemented Activity Based Costing and Management
  - Common software, information system, training, tech support at all 16 installations

Savings Goal Status

(Goal = $625M over POM 02, $110M sustained annually)

- 1 October 1999: **Process Improvements ($9M goal)**
  - $15M achieved, $6M remained with installations
- 1 October 2000: **Process Improvements ($31.8M goal)**
  - $15M carries over from prior years
  - ABC/M contracts in place to support achievement
- 1 October 2001: **A-76 ($54M goal)**
  - $32M from prior years
  - $47M from FY99 A-76 announcements
- 1 October 2002: **A-76 ($83M goal)**
  - $54M from prior years
  - $10M from FY00 A-76 announcements
- 1 October 2003: **Mixed ($107.1M goal)**
  - Reengineering, process improvement, regionalization, A-76

$25M savings remain at installations (potential)

$7M savings remain at installations (potential)

$14M in savings estimated from Garrison Food Service, but all funds required to support contract/realign Marines to operating forces.

ABC/M PROJECT

What is Activity Based Cost Management?

- **Activity Based Costing (ABC)**
  - A methodology, including software
    - Improves visibility of cost
    - Improves visibility of performance

Of the work being do

- **Activity Based Management (ABM)**
  - Use ABC data to identify areas to
    - Improve performance
    - Reduce costs
    - Improve planning and budgeting

Performance & Cost Management Chronology

- **Requested by base commanders on 23 Apr 99**
  - Implement on all bases and CSS within 12 months
- **Requirements & market research during Jun 99**
- **Limited ABC software competition during Jul 99**
- **ABC/M mandated by OSD 8 Jul 99**
- **ABC contract awarded on 15 Jul 99**
- **ABM contract solicitation process began**
  - Tech eval group = 100% field reps (HQMC advisors)
- **ABC implementation began on 17 Aug 99**
- **ABM contract signed on 16 Sep 99**
- **Implementation phase completed Sep 00**

USMC ABC Purchase

(Learning to Build ABC/M models)

1. **Software installation**
   - OROS 99/Micrografx Software for 16 sites
   - Cognos Powerplay licenses for 500
2. **Dedicated software tech support**
3. **Software training**
   - Basic at each site
   - Advanced by region
4. **Software services**
   - Transfer knowledge on ABC model building
5. **On site about 13 weeks**

Software installation and services to be completed by 14 July 00.

USMC ABM Purchase

(Learning to use ABC/M data to improve decisions)

1. Consultant participation in ABC model building
2. Improve visibility of performance and costs
3. Measure & benchmark performance
4. Develop a near term plan to achieve FY01 savings goal
5. Transfer ABM knowledge and skills
6. Propose longer-range (option) plan to sustain effort
7. Remain on site about 20 weeks

Initial support completed 15 September 00.

Important Expectations

- **ABC/M implementation will be difficult & long**
- **Leadership must make tough decisions**
- **All proposals will not be adopted**
- **We won’t become ABC/M experts in a year**
  - We’re in this for the long run

Activity Based Organization

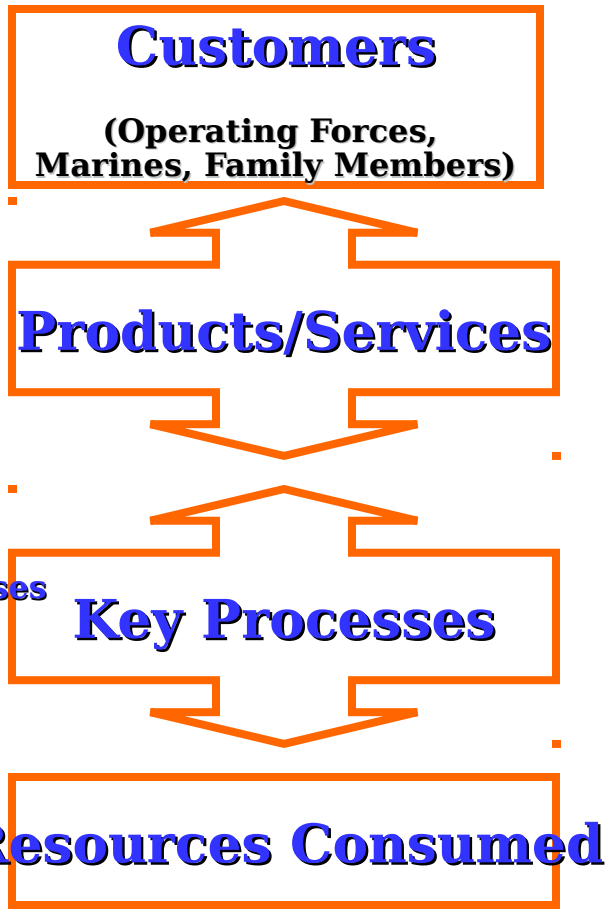
IR GOALS

Clearly define customers

Identify and improve products and services

Identify and refine key processes

Reduce costs



IR TOOLS

ABC/M

- & other strategic business practic

Strategic Assessment:

- A-76 Competition of commercial activities

- Regionalization of support or partn

- Reengineering or improving proce

- Privatization (get out of the busine

USMC BUSINESS PLAN OVERVIEW

Overview of Outcomes

- **Achieve savings without compromising Fleet support or QOL**
- **Sustain achievements**
  - Use standard strategic planning process
  - Develop uniform data classifications and terminol
  - Automate data collection
  - Establish billets for key business management positio
  - Develop training and education program
  - Develop cross-functional models based on strategies
  - Collect installation resource requirements in performance/activity based format

Outcomes reflected in:

1. **Business Plan**
2. **Grant Thornton optic**
3. **ATI follow on contrac**
4. **LR Project Managem**

Business Plan Milestones

- **Staff draft plan** **22 May**
- **Receive comments** **09 Jun**
- **Incorporate revisions** **13 Jun**
- **Brief ACMC Cmte** **16 Jun**
- **Submit to ACMC** **23 Jun**
- **Publish plan** **mid-Jul**

2000-2002 Expected Outcomes

1. **Installations dramatically reduce resources consumed without reducing goods and services provided to the operating forces, the individual Marine, and family members. By FY04, costs decline by $110M per year without compromising mission support and 800 additional Marines are made available for reassignment to operating forces (without O&MMC investment). Operating forces increase their understanding of affordable support.**

2. **Strategic sourcing assessments are completed for all activities and action plans are updated.**

3. **Common strategic planning templates are used to develop strategic plans for HQMC, intermediate commands, and installations. Strategic plans are used routinely by installation commanders to set meaningful direction and to align the activities of their staffs. These strategic plans endure as commanders are reassigned.**

4. **Uniform, cross-functional ABC/M models are developed at each of 16 installations.**

2000-2002 Expected Outcomes

5. **Benchmarks and best practice analyses for core business processes and high value activities at all installations are published.**

6. **Uniform definitions of terms and data categories are published and implemented.**

7. **Data collection for resources and for key operational data in ABC/M models is automated.**

8. **Relevant ABC/M information that requires little or no training to navigate is available on desktop PCs for decision-makers, managers, and analysts at all levels.**

2000-2002 Expected Outcomes

9. A plan for more effective and efficient management of business knowledge is completed.

10. Activity/performance-based resource requirements are collected for POM 04.

11. The USMC Center for Business Excellence is operational and appropriately staffed with minimal funding and consultant support.

12. Core ABC/M modelers at each installation are certified.

2000-2002 Expected Outcomes

13. Key skills and personnel are identified and appropriate personnel and structure adjustments are made to sustain business skills for both military and civilians needed at HQMC, intermediate commands, and installations.

14. An education and training program is established to sustain business skills.

15. A plan is developed to define common principles required for the USMC to align human resource strategies with world-class performance management goals outlined above.

Business Center of Excellence (HQMC Business Management Office)

Mission

Facilitate, advocate, and enable effective cost and performance management throughout the USMC

Tasks

- Analyze, track, measure, and compare USMC progress in implementing and sustaining Activity Based Costing, Management, and Budgeting

- Conduct cost/performance analysis

- Track, report, and disseminate meaningful information and results

- Acquire and leverage information and knowledge about cost and performance management

- Coordinate and/or conduct cost and performance training

- Facilitate collaborative learning, sharing, and understanding about best practices and cost/performance management

Installation Resources – "Not Under Competitio (Summary)

(From this asset, $52M must be saved – assuming $58M saved from already announce

Business Area	Military	Civilians	Labor $s	Mat & Serv $s	Contract $s	Total
Force Sustainment	11,562	1,913	$ 107,593	$ 47,664	$ 14,785	$ 170,042
Logistics Support	2589	1386	$ 61,726	$ 16,960	$ 36,129	$ 114,815
MCCS	337	1160	$ 49,324	$ 15,381	$ 4,889	$ 69,594
Facility Management	439	1338	$ 71,003	$ 46,406	$ 44,125	$ 161,534
Total	**14,927**	**5,797**	**$ 289,646**	**$ 126,411**	**$ 99,928**	**$ 515,985**

800 MARINES/15,000 MARINES = **5.3%** TO BE SAVE

$52M NON A-76 SAVINGS/$515M = **10%** TO BE SAVED

(17% LABOR ONLY)

Installation Resources – "Not Under Competition" (Force Sustainment)

Function	Military	Civilians	Labor $s	Mat & Serv $s	Contract $s	Total
command/exec offc	497	130	$ 7,770	$ 2,800	$ 888	$ 11,458
financial ops	539	334	$ 18,501	$ 1,270	$ 137	$ 19,908
oth admin support	1,467	402	$ 24,662	$ 6,943	$ 1,312	$ 32,917
personnal support	415	84	$ 4,084	$ 1,701	$ 540	$ 6,325
safety prog	61	87	$ 4,811	$ 502	$ 91	$ 5,404
misc support	519	61	$ 3,981	$ 4,089	$ 1,767	$ 9,837
security	2,308	72	$ 3,158	$ 1,246	$ 114	$ 4,518
airfield ops	1,335	184	$ 10,387	$ 2,084	$ 895	$ 13,366
other ops	466	13	$ 2,523	$ 3,056	$ -	$ 5,579
training range ops	398	68	$ 4,389	$ 1,478	$ 1,840	$ 7,707
adp	440	218	$ 11,275	$ 10,696	$ 1,116	$ 23,087
base com	629	181	$ 7,878	$ 10,263	$ 5,654	$ 23,795
audio visual	184	48	$ 2,549	$ 1,166	$ 366	$ 4,081
other training	2,304	31	$ 1,625	$ 370	$ 65	$ 2,060
TOTAL	**11,562**	**1,913**	**$ 107,593**	**$ 47,664**	**$ 14,785**	**$ 170,042**

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The A-76 "Box"

- **Base Labor Force 24,500**
- **less:**
  - Retain all Marines (15,500) 9,000
  - Take utilities "off the table" (600) 8,400
  - Take IT and Base Comm "off the table" (400) 8,000
  - Take Child Care "off the table" (250) 7,750
  - Take fire fighters "off the table" (550) 7,200
  - Take environmental and resources "off the table" (350) 6,850
  - WestPac civilians don't compete (500) 6,350
  - Civilians announced for competition (3,600) **2,750 civilians**

Note: FY 99 baseline data in this briefing from field supplied BRS data bas

Of the 2,750 Remaining Civilian Billets

- 350 billets are in functions with under 100 billets
  - Tiny functions mostly too small to compete – mostly under 50 billets per function
  - Largest of these functions = 87 billets (average of 6 billets per installation)
- 2,400 billets are in functions with over 100 billets
  - Command Executive Offices
  - Finance
  - Other admin support
  - Airfield Ops
  - Transportation Ops
  - Transportation Maintenance
  - Supply Ops

Remaining 2,400 are in 7 Functions

	Civilians		Military	
Force Sustainment				
Command Executive Offices	130		500	
Finance		335		540
Other Admin Support		400		1,465
Air Field Ops	185		1,335	
Logistics				
Transportation Operations		220		540
Transportation Maintenance		190		50
Supply Operations	940		1,370	

Study Adjustments
(PBD to Presbud to POM)

Fiscal Year	PBD 710R (Dec 98)	PresBud (Jan 00)	POM 02 (May 00)
FY99	**1,700**	**2,583** (1st announcement)	**4,555** (all announced + notes)
FY00	**1,800**	**2,300**	**664**
FY01	**1,600**	**2,300**	**0**
TOTAL	5,100	7,183	5,219

Notes: FTE's include 80 billets competed in FY 98 in SoCal CDC A-76 and
159 facilities billets outsourced to Navy at Miramar

What Do We Do Next?
Mid Range Projects (October 2001)

- **Sustain, in near term, the initial ABC/M effort at 16 installations**
  - Project Managers = Major Chuck Royer (ABM) & Major Stephen Pellegrino (ABC)
- **Implement activity based planning and budgeting**
  - Project Manager = LtCol(Sel) Bob Baker
- **Develop improved Strategic Plan/Balanced Scorecard**
  - Project Manager = Major Steve Pellegrino
- **Develop and sustain business education and training program**
  - Project Manager = Ms. Tommie Davis
- **Automate resource and operational data collection**
  - Project Manager = Major Chuck Royer
- **Develop organizational structure to support Business Enterprise**
  - Project Manager = Ms. Jan Ebeling

POM 02 Resources

Education and Training	**$1,600K**
Software support and training	**$ 700K**
Consulting Support	**$1,000K**
Business Intel	**$ 750K**
LR support	**$ 160K**
	$4,200K

FY 00 and FY 01 include IRO funding of $1,300K

Upcoming Dates to Remember

- **Business Plan Published mid Jul**
- **MFP Regional Conference 25-26 Jul**
- **USMC ABC/M Conference 16-19 Oct**

Summary

- **FY99 Installation Reform Business Plan focus**
  - Get assistance (quickly) to installation commanders
  - Organize program
  - Outcomes are being achieved
- **FY00 USMC Business Plan focus**
  - Sustain assistance to installation commanders
  - Transition from “reform” to (more deliberate) sustained effort
  - Begin to expose and integrate HQMC staff to ABC/M
- **Sustainment of outcomes is resourced in POM 02**

Focus Area 1: Planning

Laying the groundwork for successful management of the Business Enterprise

Strategy 1.1: Develop a single USMC infrastructure strategic plan that coordinates all key HQMC stakeholders (including Aviation, LF, MCCS, and C4) and installation stakeholders.

Strategy 1.2: Develop a strategic plan and balanced scorecard for each installation based on a uniform template that supports the mission, vision, key processes and outputs, strategies, and measurements contained in the USMC plan.

Strategy 1.3: Develop a plan to collect installation resource requirements in activity/ performance-based format consistent with USMC infrastructure strategic plan and scorecard.

Strategy 1.4: Review entire organization using the strategic sourcing assessment process (Appendix B) to determine the best sourcing alternative for all Marine Corps activities.

Strategy 1.5: Publish and implement standard definitions for business reform terms.

Strategy 1.6: Create USMC Center for Business Excellence (CBE).

Strategy 1.7: Integrate MARFORRES into Installation Reform.

Focus Area II: Execution

Implementing better business practices from the private and public sectors

Strategy 2.1: Improve visibility of performance and cost data for installation business processes/activities using activity-based models.

Strategy 2.2: Use activity-based information and the results of strategic sourcing assessments (Appendix B) to improve performance and dramatically reduce resources through competition, regionalization, partnering with others, process management, divestiture of functions (privatization, reduction, elimination) and other best business practices.

Strategy 2.3: Leverage information technology.

Strategy 2.4: Complete announced A-76 competitions on schedule and continue to perform reviews to identify opportunities for additional competitions.

Focus Area III: Metrics and Reports

Measuring outcomes and monitoring progress of Business Plan

Strategy 3.1: Validate FY99 baseline data based on activity based modeling effort and add key FY99 (baseline) performance measures.

Strategy 3.2: Use the FY99 baseline data to measure improvements in performance and cost management of installations.

Strategy 3.3: Revise outcomes and measures based on strategic plans and strategic goals.

Focus Area IV: Human Resources

Taking care of our people and implementing best practices in managing human resources

Strategy 4.1: Develop an executable transition management program to take care of our people throughout the business reform implementation process.

Strategy 4.2: Maintain communications plans to keep workforce fully informed.

Strategy 4.3: Develop a plan to identify needed business skills and an education and training plan to develop and to sustain those skills in the in-house workforce.

Strategy 4.4: Develop installation staff, structure, and billet requirements to support the Business Enterprise.

Strategy 4.5: Develop human resource best practices, e.g., recruiting, training, promoting, performance recognition, to align with other improved business practices.